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of operation that makes for further economies in various ways other than merely those due to a highly efficient and stabilized working force. The beneficial influences of such methods of operation extend beyond the employe, the employer and the consumer, to the community in which the industry operates, and thus the industry renders a genuine service to all concerned.

MAXIMUM COÖPERATION NECESSARY FOR PERFECT EQUITY

But these results cannot be achieved all at once. It takes time, effort, patience and everlasting courage, coupled with broad vision, to work consistently toward the end sought; but the end justifies the means. The period of constructive effort can be shortened only through maximum coöperation between employers and employes. Lack of faith in each other and selfish disregard of

either's point of view by the other, will delay the result indefinitely. There is nothing Utopian in the plan: it is intensely practical, even if it does take relatively more time. But wherever scientific management principles have been scientifically applied it has been demonstrated that "a fair day's pay for a fair day's work" is something more than a slogan. It is a living fact! Only through the prosperity of the industry that supports them both, can employer and employe hope to enjoy that individual prosperity each desires. This means that each gets out of the industry what each puts into it, and therefore, since the maximum of efficiency is gained only as output approaches input, the application of scientific management principles to each industry offers the best means for providing a fair day's wage for a fair day's work.

The Bases Used by Department Stores in Establishing Wage-Rates

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THE practice of large department stores at present is to use the cost of living as the principal base for establishing minimum starting rates for inexperienced adult workers. The margin in a starting rate above this minimum is influenced at any given time by the demand and supply of workers, and by the desire of a store to attract workers of a given type. Some years ago, the base used almost solely by the large stores for starting rates was the payment of merely what the market conditions required. The change in policy has been effected not only by the general use of the cost-of-living base by state minimum wage commissions in formulating wage stand-

ards for retail stores, but also by the recognition of managers that a store cannot continue to attract and retain the type of worker necessary to render the intelligent service that customers demand unless it pays a starting wage that represents at least the cost of living.

Some stores now pay a starting rate to inexperienced workers that represents a substantial advance over the established legal minimum wage. This is done on the theory that, with labor as with merchandise, one gets in results precisely what one pays for, provided the workers are selected with discrimination. Occasionally a large store in a given city can consistently follow this

practice and select a higher than average type of worker. However, individual stores in large cities that wish to pay more than the customary starting rate frequently meet with a practical difficulty in following this policy. Because of the keen competition among the larger stores, each is alert to see that no individual store solely enjoys the advantage of getting the pick of the applicants for work by paying a premium initial rate. This keenness in competition for workers was especially manifest during the War and immediately after the Armistice. Whenever certain stores were unable to attract sufficient applicants, it was the custom in some cities where competition for labor was keen to "shop" other stores occasionally by assigning professional shoppers to the task of ascertaining what rates were being paid and if the working conditions were especially appealing in the stores which had the most success in securing workers. Therefore, because of this existing business rivalry, when one store starts the practice of raising the general starting rate, the other stores usually follow suit, especially when desirable workers are not too plentiful. As a consequence, this competition usually results in all stores of the same class offering about the same rate.

WIDE ADOPTION OF INDIVIDUAL PRODUCTIVITY BASIS

During the first month of employment inexperienced workers in most stores are paid a straight weekly wage. It is the desire of store managers, however, to establish for each person, as soon as practicable, a definite relationship between the weekly wage paid and the productivity of the worker. Individual productivity, therefore, wherever the nature of the work permits it, is the base that is used by most of the larger stores for determining the

wage of each experienced individual. In the selling positions, productivity is expressed not only in terms of the total value of sales but also in the *number* of sales or transactions that has been made by an individual and the average amount of each sale. The use of the number of transactions and the average amount of each sale as measures of the efficiency of a salesperson has increased during the past two years, and the recent drop in retail prices has made the use of all three of these factors especially valuable in determining wages. This drop in prices has made it necessary to sell 15 per cent to 25 per cent more pieces to approach the same sales figures that were attained before the price recessions.

In the non-selling positions, although most of the workers are still paid a weekly wage that is not directly related to a measured output, wherever it is possible to devise a unit for measuring directly the productivity of the workers, this is established and the wage paid on that basis. For instance, in office work this measuring unit may be the number of credit authorizations made; the number of invoices billed; or the number of lines that has been typed. This productivity basis for determining individual wages has given the most satisfactory result in both selling and non-selling positions. It has resulted not only in stabilizing store forces by rewarding individuals precisely in accordance with their efforts, but it has also enabled store managements to control their pay-roll expense so as to keep it proportionately reasonable. To respond to the public demand that the costs of distribution be kept at a reasonable level, store managers must constantly watch pay-roll expense, since this is usually approximately 55 per cent of all operating expenses.

Where the employe is to be continued for some time on a straight salary the

practice of most large stores is to review the work of the employe after one month's service. The purpose of such a review is quickly to discover the worker who is not making progress and to meet this situation either by additional instruction, transfer to another position or even dismissal. This review at the end of one month is deemed necessary, also, to adjust the rate of unusually promising employes, since experience has shown that it is necessary to make this adjustment a few weeks after employment in order to correct the element of "guess" as to the value of a particular employe contained in the average starting rate. Finally, this prompt review of all new employes with the resulting raises reduces labor turnover. An analysis of turnover figures furnished by a group of stores showed at one time that one-third of all employes who had left their positions had done so within the first month of employment. After following for a year the policy of consistently reviewing all new employes within the first month of employment, the turnover figures of the same stores showed that only one-fifth of all who left did so within the first month.

SELLING COST BASIS

In regard to selling positions most stores base their wages on a selling cost base. This base is the per cent representing the relation of total wages paid in a selling department to the total sales made. In a department selling \$3,000 of merchandise a week with six salespersons whose wages average \$25 a week or a total of \$150, the selling cost is 5 per cent. This per cent is relatively low in the departments where the average sale is high, such as in departments selling dresses or coats and suits. It is relatively high where the average sale is low, such as in the notion and pattern departments. The

selling expense in departments selling dresses or coats and suits will range from 3 per cent to $4\frac{1}{2}$ per cent, whereas in departments selling notions or patterns the wage cost or selling per cent will range from $7\frac{1}{2}$ per cent to 12 per cent. Generally speaking, individual wages are high in the departments where the selling cost per cent is low and they are relatively low where the selling cost per cent is high. The simplicity of the sale transaction in departments like those in which notions and patterns are sold permits the employment of relatively young and inexperienced salespeople at the lower wage-rates. In women's ready-to-wear departments, however, since the sales involve a considerable outlay, most stores endeavor to maintain mature, experienced salespeople who can give customers expert advice and counsel as to the appropriate wearing apparel they should have. This service is being increasingly demanded by customers and can be given only by well-paid discriminating salespeople experienced in apparel selling.

The department selling cost is usually determined on a six months' season basis. At the end of each season, the rates of individual salespeople are adjusted on their productivity showing, precisely in proportion to their having sold at the average department rate or lower. Individual sales quotas are determined by dividing the department rate into the weekly salary of each salesperson. An experienced salesperson earning \$30 a week who sells in a 5 per cent department is expected to sell at least \$600 a week to maintain her position at this wage. Although allowance is made for seasonal fluctuations, if she consistently sells less than this amount for a number of weeks, resulting in a higher selling rate, efforts are made to stimulate her sales so that she can maintain

her position at the average department rate. If she sells, say \$750 a week, however, resulting in a selling cost of only 4 per cent, which would be 1 per cent lower than the department average, her salary is generally increased proportionately so that there will be a consistent and a direct relation between her earnings and the department rate.

The foregoing describes the method of paying and adjusting individual wages in stores employing a straight salary wage plan. Under this plan a salesperson is assured the same income for each week. The diligent worker may not always be immediately paid the exact amount she may earn over and above her salary, pending the adjustment of her regular wage, and to this extent the straight salary plan may be open to criticism. On the other hand, however, under this plan the worker is not forced to make up the deficit when her earnings are less than the salary she receives. In the case of inexperienced workers the earnings invariably are less during the first few weeks of employment, and at certain dull periods even many experienced workers are unable to sell their quota and earn their rate.

VARIATIONS IN THE COMMISSION PLAN

Where salespeople work under a straight commission plan, arrangements are usually made with them for a weekly drawing account that represents about 80 per cent of their earnings. The balance is paid in commissions and these commissions sometimes are paid only once a month, although many stores pay the commissions weekly. Under the straight commission plan, salespeople are paid precisely what they earn. A furniture or clothing salesman working under a 5 per cent straight commission plan may have a weekly drawing account of \$40.

If he sells over his quota and actually earns \$50, the extra \$10 a week is paid the following week or the following month. If, however, he earns only \$35, the regular weekly drawing account of \$40 is paid but the deficit of \$5 is deducted from any commissions earned above his regular weekly drawing account in subsequent weeks, and the balance, if any, is paid as a commission.

The theory of the commission plan is that the direct relation between a sale and the payment of a percentage of the sale in a wage, acts as the most potent incentive for salespeople to sell diligently. It is not favored by some store managements, however, because it is felt that an employee's success in an organization should depend not on sales alone but also on other personal factors; and that a commission plan is unsatisfactory because it does not permit evaluating anything else in an employee but the ability to sell merchandise. When determining individual wages of salespersons, some stores which wish to consider such factors as length of service, coöperativeness, promptness and steadiness in attendance, versatility, loyalty and leadership qualities, feel that these factors can best be evaluated under a straight salary plan. To provide some incentive, however, for increasing sales, it is the practice of a number of large stores to pay a small commission on all sales in addition to the weekly salary. This commission frequently is 1 per cent, and it may represent an increase of 10 per cent to 20 per cent over the regular weekly salary.

Wm. Filene's Sons Company, Boston, after experimenting with various wage plans for several years, now pay all salespeople a straight salary which is based on the average selling cost percentage of the various departments. In addition to this, however, a com-

mission is paid on all sales. This commission varies from one-half of one per cent to one and one-half per cent in the various departments. Usually a bonus percentage of this sort represents about one-fifth of the actual selling cost of a department. Filene's feel that it is necessary to have this commission percentage vary in order to make it possible to pay a commission in departments with a small average sale that will be substantial enough to act as an effective incentive for salespeople in these departments to increase their sales. The disadvantage of paying a uniform percentage of bonus in all departments will be appreciated when it is realized that the average sale in a notion department in many stores will be approximately only 50c, whereas the average sale in departments selling women's coats and suits will range from \$30 to \$65, depending on the character of merchandise that a store carries. In the notion department the average salesperson will handle five or six hundred transactions per week, whereas in departments selling coats and suits the number of transactions per salesperson throughout the year will average only from twenty-five to thirty-five a week. At Filene's, the commission on all sales is paid weekly in a separate envelope, since this method of paying the commission is effective in impressing salespeople with the constant relationship that must exist between the wages they earn and the sales they make.

The plan in effect at Filene's has proved to be very satisfactory to the employes. While it attempts properly to "weight" the sales factor, it also permits a consideration of other factors. This is provided for at Filene's by a periodical rating of all employes on such traits as (1) mental qualifications; (2) technical ability; and (3) personality, health and general value to the company.

AN EFFECTIVE WAGE PLAN IN OPERATION

One of the most interesting wage payment plans for department store workers is that in effect at the Joseph Horne Company store at Pittsburgh. Because this wage plan has been in effect for something over twelve years and has functioned satisfactorily both in dull and prosperous seasons, it has been the object of considerable study by many other department store managements. The plan commends itself because it is simple in operation; it is easily understood by employes; it shows the comparative worth of individuals at all times; and it provides for the adjustment of salaries on an individual productivity basis at regular intervals.

When salespeople are engaged, they are paid the going rate paid by the better class of large stores and the method of adjusting salaries is explained to them. After thorough training, they are given their weekly sales quota and placed at work. After two months their sales are reviewed and salaries are increased if the sales during this probationary period justify it. New quotas are then given based on the increased rate. Thereafter, salaries of the salespeople are adjusted in February and August of each year. The total salaries paid in each department for the six months preceding February and August are divided by the total sales of the respective departments for the same period to ascertain the average cost per cent for selling. The average weekly sales of each salesperson are then computed for the six months and multiplied by the department rate to find what each one has earned. If the sales of an individual warrant a higher salary than she is receiving, her salary is increased accordingly. If she has not earned her

salary, she is not reduced but is interviewed. At this interview her record is shown and she is requested to make an effort to bring up her sales. At the expiration of the following six months if the salesperson is not earning her salary, she is then given a trial in some other department or is dismissed.

In some departments experience has shown that salespeople will occasionally run behind their rate the first six months and ahead of their salary the second six months. In such cases their "worth" is averaged for the year and adjustments made on that basis. In addition to the above salary arrangement, which is based on the productivity of the individual, a sales bonus is paid March 1 and September 1 on individual sales in excess of quotas at the department's average selling per cent for the corresponding period of the preceding five years. Under this arrangement all salespeople are afforded an opportunity to earn a bonus in addition to their regular salaries.

Although a majority of the larger stores base their wages of salespeople primarily on the productivity basis, consisting of the number and the amount of sales in a given period, many stores take other factors into consideration in determining individual rates. Through the use of rating plans which provide for rating employees periodically on such subjects as attendance, courtesy, suggestions, accuracy and co-operativeness, an effort is made to "weight" and evaluate these qualities also in salespeople.

PRODUCTIVITY BASES FOR NON-SELLING GROUPS

The satisfactory results obtained from the use of the individual productivity bases for salespersons' wages has directed the attention of store managers recently to the use of the same basis

for non-selling groups composed of clerical workers, stock-room people, delivery workers, etc. A number of stores through time studies have established a measure of the work in these non-selling positions and used this information to establish standards for a proper day's work. Some stores have based their wages on definite tasks and are paying a money incentive to the workers who surpass them. A large department store in Canada has established in its delivery department a quota of three hundred parcels per driver per day as an excellent day's work. Their drivers are paid a bonus of $1\frac{1}{2}c$ for every parcel delivered above this quota. It is claimed that this bonus arrangement has resulted in their delivery department's being able to take care of a 26 per cent increase in parcels with no increase in force or equipment. In the month of December, when deliveries are heavy, drivers make from \$25 to \$35 in parcel bonuses for the month, although the average bonus earned during other times is approximately \$3 to \$4 a week. The management of this store states that the parcel bonus has saved much expense for them and has in addition promoted harmony and contentment among their drivers because of the additional money they have earned.

A large Boston store pays a bonus to its parcel wrappers for all parcels wrapped over a certain quantity. The tasks were set after the average daily production of each wrapper over a period of months had been ascertained. If the first task is exceeded, a payment of 25c per day is made; for exceeding the second task, 35c per day is paid and 50c a day for exceeding the third.

At Wm. Filene's Sons Company the billing machine operators, who are girls, are paid on a piece work basis of one cent a sales check on all checks

accurately billed to charge customers in excess of a certain amount. Regular weekly salaries for each operator are established. An operator earning \$25 a week is expected to bill 2,500 checks and she is paid at the rate of one cent a check for billing any quantity over her quota. A penalty of ten cents each is imposed for errors.

In a large department store in Ohio the billers are all expected to bill at least 7,500 checks per month, since experience has shown this to be a fair month's work in this store. Bonuses are paid, however, for exceeding this quota at varying rates depending on the quantity up to 75c per 100 for billing over 10,000 checks.

ATTEMPTS TO REGULATE SEASONALITY AND OTHER WAGE FACTORS

One of the most perplexing factors that store managers must keep in mind in formulating any wage plan is the seasonal fluctuation of sales on which wages are based. One quarter of the year's business may be done in November and December and only approximately one-tenth or one-eighth may be done in June and July. A plan that will yield each worker a good salary in months when business is brisk may have quite disappointing results in other months. It is not by any means a simple management task to devise for all departments a plan that will provide a constant weekly wage return sufficient to retain ambitious workers. A wage plan that is too closely related to sales in a store which has marked fluctuations in its sales volume each month, may fail to hold workers in the relatively dull months.

This seasonal fluctuation necessitates not only constant study and manipulation of individual sales quotas but also, at times, a strategic manipulation of the entire store force. This is because a drop in sales will result in

expensive overmanning and overmanning, in addition, will immediately depress the earnings of salespersons if they are paid a wage that is closely related to the volume of business that is done in a department. Efforts are being constantly made by department store managers to flatten the seasonal peaks and valleys, but the seasons of the year and fixed purchasing habits tend to make it very difficult to change materially this problem of seasonality and it will continue to be a bothersome factor in establishing wage-rates that are satisfactory to the employe and fair to the management, both in dull and busy periods.

It is the practice of some stores to make no change in the basis of a wage-rate before thoroughly discussing the proposed change in advance with the group of employes affected, and then making changes only after the conditions have changed under which an existing rate was established. In a few stores, moreover, an attempt has been made not only to pay a fair individual rate but to pay, in addition, a group bonus wherever the payment of this results in developing a departmental esprit de corps. For instance, in the jewelry department of one large store, individual salaries are adjusted on the basis of individual sales but, in addition, a group bonus is paid on all sales made in the department. This lump sum is divided equally among the various salespeople in the department and it has resulted in correcting to some extent the dissatisfaction that existed when bonuses were paid merely on individual sales. If a customer spent considerable time inspecting an expensive ring, but deferred making the purchase on the first visit, on the subsequent visit it frequently happened, during the lunch hour, that, when the customer called again with her mind made up to buy, the sale was

effected and a substantial commission earned, under the former plan, by a different salesperson from the one who had spent so much time in developing her initial interest in the merchandise. Naturally this situation caused the first salesperson to become dissatisfied.

The group bonus plan has equalized earnings in the department to some extent and it has also corrected the former dissatisfaction that was caused by certain salespersons' getting the most sales because of their better stations in the department. It is the custom in some stores to permit the long service salespeople to occupy certain stations that may be especially strategic for making sales.

In a large department store in St. Louis good results in developing store spirit have been achieved by paying a 1 per cent bonus on all sales, provided the business of the store is increased \$100,000 each month. Thus the management shares with employes a portion of its gains from increased sales and assists in emphasizing to the salespeople the direct relationship between a store's ability to pay good wages and an increase in sales.

PRODUCTIVITY BASE FOR BUYERS' SALARIES

The salaries of buyers also have a productivity base. The buyer's salary or drawing account frequently represents 1 per cent or $1\frac{1}{2}$ per cent of the sales of a department for the preceding year. In certain departments, however, and also under certain

unusual conditions, such as when exceedingly competent buyers are engaged to build up weak departments, the buyer's salary may represent as much as 2 per cent or 3 per cent of the annual net sales. Frequently, bonuses of 1 per cent or $1\frac{1}{2}$ per cent are given in addition on increased sales. Of all department store executives, buyers are always in the most advantageous position to effect the most satisfactory salary arrangement with store managers. The technical information of a successful buyer can be utilized in practically any other store. His constant trips to the market enable him to make contacts that frequently lead to better opportunities and the salary offered is usually sufficiently attractive to induce him to go to almost any section of the country he desires.

From the foregoing, it will be clear that store managers in determining buyers' and experienced salespeople's wages usually use as the primary consideration the amount of sales made. In determining the wages of the non-selling groups of store workers, the tendency is to base these on some measure of productivity, such as the number of transactions handled. Wage plans, such as these described, that incorporate individual productivity as a fundamental, wherever it can be fairly measured, and wherever such plans can be equitably and reasonably administered under varying conditions, usually result in high individual wages, a relatively low labor turnover and a reasonable operating cost for stores.